Unknown

From: Galvin, Patrick S (DOR) [/O=SOA/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=PSGALVIN1]
Sent: Friday, September 26, 2008 10:28 AM
To: Brad Fluetsch
Cc: Palin; Sarah H (GOV)
Subject: RE: Give Alaska Housing Finance $$$$

Brad,

Thanks for the reminder of your earlier recommendation. I appreciate your thoughts.

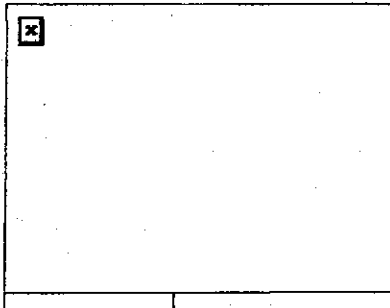
We're working with AHFC to identify what, if anything, they would like to see done with respect to not only your recommendation, but also in general given the market conditions.

-Pat

From: Brad Fluetsch [mailto:brad@fluetschfinancialservices.com]
Sent: Friday, September 26, 2008 9:36 AM
To: Galvin, Patrick S (DOR)
Cc: Palin, Sarah H (GOV)
Subject: Give Alaska Housing Finance $$$$

I sent an email several months ago suggesting that you propose to give AHFC the dividends it paid to the general fund. While I cannot claim to advised Australia, it still is a good idea. I hope you consider proposing it in the next legislative session.

Australia to Buy A$4 Billion Mortgages, Revive Market (Update2)

By Gemma Daley

Sept. 26 (Bloomberg) -- Australia will spend A$4 billion ($3.3 billion) buying residential mortgage-backed securities to revive a debt market frozen by the global credit crunch.

The Australian Office of Financial Management will invest in two separate operations of as much as A$2 billion each, Treasurer Wayne Swan told reporters this afternoon in Canberra.

``We are doing this because the RMBS market has dried up as a consequence of difficulties in global financial markets," Swan said. ``There is a world of difference between this development and what is being debated in the U.S."

Mortgage bond sales have slumped 85 percent to A$2.5 billion a quarter since the middle of last year as international investors retreated from property lending after losses and writedowns from the U.S. subprime collapse swelled to $522 billion. That's crippled the ability of smaller banks including Bank of Queensland and Aussie Home Loans to make loans.

Australian short-term funding costs surged this year to the highest since at least 1999, based on the spread between interbank lending rates and government bonds.

``It's an extraordinary response in extraordinary times," said Shane Oliver, head of investment strategy at AMP Capital Investors, which oversees $81 billion. ``The move will provide extra funding, and may be an attempt to get funding costs down and apply further pressure on banks to pass on any rate cuts."

AOFM Directions

Swan said the government will issue ``directions" to the AOFM -- the government agency that manages the nation's debt -- and the Treasury Department will develop restrictions on who'll be able to use the securities and how much they can buy. That could take ``a number of weeks" to sort out, Swan said.

Small lenders, who would use the securities to provide mortgages, include Aussie Home Loans, Wizard Home Loans, Bendigo and Adelaide Bank Ltd. and Bank of Queensland. Such lenders don't have large deposits, like bank lenders, to fund their mortgages.

``All smaller lenders have been unable to provide new mortgages at competitive rates for at least 12 months," Aussie founder John Symond said in an interview from Sydney. ``This will help address that shortage."

The nation's one-month bank bill swap rate, which Australian banks typically use to determine yields on variable-rate loans, reached a 13-year high of 7.80 percent on June 11. It has since dropped to 7.4 percent.

The spread between one-year interbank rates and the one- year Australian government bond touched 1.45 percentage point on March 10, based on Bloomberg data. The spread widened to 1.16 percentage points today, compared with 0.97 on Sept. 1.

Mike Smith, head of Australia & New Zealand Banking Group Ltd., signaled yesterday the nation's fourth-largest bank may not pass on to mortgage customers all of any potential central bank rate cuts when policy makers meet on Oct. 7.

RBA Support

The mortgage debt purchases, supported by the Reserve Bank, are intended to strengthen the nation's banking industry while ensuring that small banks can compete, Swan said. The nation's treasury department will administer the flow of funds and the investments are planned as temporary, Swan said.

Swan said the package can't be compared with steps under consideration in the U.S. where negotiations are underway for a $700 billion rescue of the U.S. financial system.

``The Americans are buying up bad debt to bail out a banking system that is in trouble," Swan said. ``This is the fine tuning of a system, not an overhaul."

National Australia Bank Ltd., the nation's third-largest lender, closed up 3.2 percent to A$25.80, gaining 20 cents after Swan's announcement. Commonwealth Bank of Australia, the largest mortgage lender, added 0.9 percent to A$44.43.

The Australian dollar fell 0.5 percent to 83.17 U.S. cents at 4:50 p.m. in Sydney, from 83.75 cents in Asia late yesterday.

To contact the reporter on this story: Gemma Daley in Canberra at gdaley@bloomberg.net

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Bradley J. Fluetsch, CFA